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REC'D  
OFFICE OF THRIFT  
SUPERVISION  
DISSEMINATION BRANCH

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November 9, 2000

Manager, Dissemination Branch  
Office of Thrift Supervision  
Information Management & Services Division  
1700 G Street, N.W.  
Attention: Docket No. 2000-56  
Washington, D.C. 20552

Re: Repurchases of Stock by Recently Converted Savings Associations, Mutual Holding  
Company Dividend Waivers, Gramm-Leach-Bliley Act Changes  
65 Fed. Reg. 43088 (July 12, 2000)

Dear Sir or Madam:

America's Community Bankers ("ACB") is pleased to comment on the interim rule (the "Interim Rule") issued by the Office of Thrift Supervision ("OTS") amending its regulations governing repurchases of stock of insured savings associations and certain related provisions in the mutual holding company regulations to ease regulatory burdens.<sup>1</sup> The Interim Rule also amends the OTS's rules regarding dividend waivers by mutual holding companies, and incorporates certain changes resulting from the enactment of the Gramm-Leach-Bliley Act ("GLBA"). ACB represents the nation's community banks of all charter types and sizes. ACB members pursue progressive, entrepreneurial and service-oriented strategies in providing financial services to benefit their customers and communities.

### **ACB Position**

ACB believes that all of the changes implemented under the Interim Rule are necessary and timely, and will help ease regulatory burdens on OTS-supervised institutions. We strongly support the OTS view that choices regarding stock repurchases and dividend waivers are business decisions, the principal responsibility for which should be with an association's board of directors and senior management, subject only to appropriate safety and soundness and fiduciary standards.

### **The Interim Rule**

*Stock Repurchases.* Under OTS regulations prior to the issuance of the Interim Final Rule, savings associations that have converted from mutual form cannot repurchase stock during the first year following conversion. During the second and third years, converted institutions may

<sup>1</sup> 65 Fed. Reg. 43088 (July 12, 2000). The comment period on the Interim Rule was extended until November 9, 2000 (65 Fed. Reg. 60095 (October 10, 2000)).

repurchase up to five percent of outstanding shares during any 12-month period, so long as the institution does not become undercapitalized and certain other OTS conditions are met. In addition, OTS regulations also prohibit savings association subsidiaries of mutual holding companies ("MHCs") from repurchasing their stock for the first three years following the association's stock offering.

The OTS has concluded that the repurchase of stock after the first year following conversion or issuance should be a business decision made by the institution. As a result, the Interim Rule eliminates restrictions on stock repurchases after the first year following conversion. Repurchases during the first year are possible, as well, if extraordinary circumstances are present and the OTS approves. Corresponding amendments to the MHC regulations governing stock purchases also have been made under the Interim Rule.

*Dividend Waivers By Mutual Holding Companies.* OTS regulations allow MHCs to waive dividends subject to certain restrictions. The OTS has been asked to clarify whether the payment of dividends and MHC waivers of such dividends will cause the OTS to require minority shareholder dilution if the MHC subsequently converts fully to stock form. Prior OTS practice had required dilutions in certain cases. The Interim Rule confirms that the OTS no longer will require dilution for any waived dividends in subsequent conversions, and the agency will rely on business plan reviews and existing OTS regulations governing capital distributions to prevent excessive dividend payments.

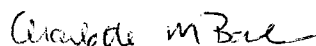
*GLBA Revisions.* Finally, the Interim Rule amends current OTS regulations to incorporate the GLBA-mandated changes to MHC regulations. Specifically, the Interim Rule revises current OTS regulations to provide that MHC-permissible activities shall mirror those applicable to financial holding companies.<sup>2</sup>

In addition, ACB encourages the ongoing work of the OTS at fostering all forms of charter organization, and we believe these changes further complement that effort.

## **Conclusion**

ACB appreciates the opportunity to comment on this important matter and supports the OTS in its efforts at reducing regulatory burdens. If you have any questions, please contact the undersigned at (202) 857-3121 or cbahin@acbankers.org, or Michael W. Briggs at (202) 857-3122 or mbriggs@acbankers.org.

Sincerely,



Charlotte M. Bahin  
Director of Regulatory Affairs  
Senior Regulatory Counsel

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<sup>2</sup> 12 U.S.C. § 1467a(o)(5)(E).